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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**M & W Financial, Inc.**

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

140 South Village Center Drive

(No. and Street)

Southlake

(City)

Texas

(State)

76092

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Ann Marie Brannan

817-442-5259

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Phillip V. George, PLLC

(Name - if individual, state last, first, middle name)

2300 Honey Locust Drive

(Address)

Irving

(City)

Texas

(State)

75063

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

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FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)


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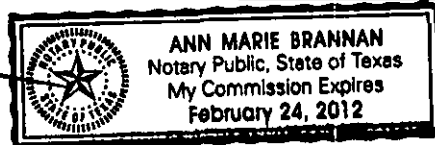
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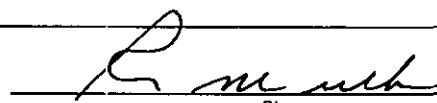
## OATH OR AFFIRMATION

I, Rick D. Mullins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of M & W Financial, Inc., as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

  
Notary Public



  
Signature  
PRESIDENT  
Title

This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on the internal control as required by SEC rule 17a-5.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**M & W FINANCIAL, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2007**

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PHILLIP V. GEORGE, PLLC  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT**

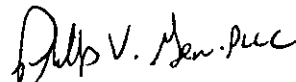
Board of Directors  
M & W Financial, Inc.

We have audited the accompanying statement of financial condition of M & W Financial, Inc. as of December 31, 2007, and the related statements of income, changes in stockholder's equity, and cash flows for the year ended December 31, 2007, that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of M & W Financial, Inc. as of December 31, 2007, and the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



PHILLIP V. GEORGE, PLLC

Irving, Texas  
February 18, 2008

**M & W Financial, Inc**  
**Statement of Financial Condition**  
**December 31, 2007**

**ASSETS**

Cash	\$91,441
Commissions Receivable	30,600
Advances to Employees	15,200
Income Taxes Receivable from Parent	55,865
Prepaid Expenses	897
Receivables from Related Parties	<u>10,772</u>
<b>TOTAL ASSETS</b>	<b><u>\$204,775</u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts Payable	\$2,179
Accounts Payable to Related Parties	<u>43,774</u>
<b>Total Liabilities</b>	<b><u>\$45,953</u></b>

**Stockholder's Equity**

Common Stock, 10,000 shares authorized, \$.01 par value, 10,000 shares issued and outstanding	\$100
Additional Paid-In Capital	432,071
Accumulated Deficit	<u>(273,349)</u>

<b>Total Stockholder's Equity</b>	<b><u>\$158,822</u></b>
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<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$204,775</u></b>
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See Notes to the Financial Statements

**M & W Financial, Inc**  
**Statement of Income**  
**Year Ended December 31, 2007**

**Revenue**

Private Placement Revenue	\$1,934,700
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**Expenses**

Compensation and Related Costs	\$1,719,611
Fees and Fines	70,875
Occupancy	103,924
Office Expense	25,421
Other Expenses	16,165
Professional Fees	270,930
Promotion	123,177
Regulatory Fees	48,071
Total Operating Expenses	\$2,378,174

**Other Income**

Miscellaneous Income	\$35,000
Expense Reimbursement	222,284
Total Other Income	\$257,284

Net Loss before Income Tax Benefit	(\$186,190)
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Income Tax Benefit	55,865
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Net Loss	(\$130,325)
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See Notes to the Financial Statements

**M & W Financial, Inc.**  
**Statement of Changes in Stockholder's Equity**  
**Year Ended December 31, 2007**

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balances at December 31, 2006	10,000	\$100	\$230,280	(\$143,024)	\$87,356
Additional Capital Contributed			201,791	-	201,791
Net Loss				(130,325)	(130,325)
Balances at December 31, 2007	10,000	\$100	\$432,071	(\$273,349)	\$158,822

See Notes to the Financial Statements



**M & W Financial, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2007**

<b>Cash flows from operating activities:</b>	
Net loss	(\$130,325)
Adjustments to reconcile net loss to net cash used in operating activities:	
Change in assets and liabilities	
Decrease in commissions receivable	\$43,860
Increase in advance to employees	(5,700)
Decrease in prepaid expenses	1,014
Increase in receivables from related parties	(10,772)
Increase in income taxes receivable from Parent	(20,382)
Decrease in accounts payable	(8,068)
Increase in payables to related parties	4,553
Decrease in commissions payable	(50,000)
<b>Net cash used in operating activities</b>	<u>(\$175,820)</u>
<b>Cash flows from financing activities:</b>	
Additional capital contributed	<u>\$201,791</u>
Net increase in cash	\$25,971
Cash at beginning of year	<u>65,470</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$91,441</u></u>

**Supplemental Disclosures of Cash Flow Information:**

There was no cash paid during the year for interest or income taxes.

See Notes to Financial Statements

**M & W Financial, Inc.**  
**Notes to Financial Statements**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies**

Nature of Business:

M & W Financial, Inc. (Company) was incorporated in January 2004 as a Texas corporation. The Company is a wholly-owned subsidiary of The Mullins & White Group, Inc. (Parent), a Texas corporation. The Company is a broker/dealer in securities registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

The Company's securities business consists of the sale of partnership interests in oil and gas related private placement offerings of related parties only on a minimum/maximum subscription basis. The Company's customers are high net worth individuals located throughout the United States and Canada.

The Company operates pursuant to section (k)(2)(i) exemptive provisions of Rule 15c3-3 of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that Rule. The Company does not hold customer funds or securities, but will limit its business to the selling of direct participation programs and maintain a special account for the exclusive benefit of its customers. Under these exemptive provisions, the Computation for Determination of Reserve Requirements and Information Relating to the Possession and Control Requirements are not required.

Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Private Placement Revenue

The Company recognizes revenue on the sale of interests in private placement offerings in the period in which customer subscriptions to such offerings are funded, upon the Company reaching the minimum subscription requirement of such offerings.

**M & W Financial, Inc.**  
**Notes to Financial Statements**

**Note 1 - Nature of Business and Summary of Significant Accounting Policies**

Advertising Costs

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

**Note 2 - Net Capital Requirements**

The Company is subject to the SEC uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2007, the Company had net capital and net capital requirements of \$76,088 and \$5,000, respectively. The company's net capital ratio was 0.60 to 1.

**Note 3 - Income Taxes**

The Company is included in the consolidated income tax return of its Parent. Income taxes are recorded using the separate company method to comply with SFAS No. 109. Any resulting provision or benefit for income taxes is recorded as receivable from or payable to the Parent. Income tax benefit for 2007 was \$55,865. The total amount was receivable from the Parent as of December 31, 2007.

**Note 4 - Related Party Transactions**

The company is under the control of its Parent and the existence of that control created operating results and financial position significantly different than if the Companies were autonomous.

The Company has account receivable from a related party totaling \$10,772 at December 31, 2007.

Amounts receivable from the Parent for income taxes at December 31, 2007 totaled \$55,865 (Note 3).

Accounts payable to the Parent for payroll at December 31, 2007 totaled \$43,774.

**M & W Financial, Inc.**  
**Notes to Financial Statements**

**Note 4 - Related Party Transactions (continued)**

The Company leases office space from a related party on a month-to-month basis for \$6,667.50 per month. Rent paid to the related party totaled \$80,010 for 2007 and is included in occupancy costs in the accompanying statement of income.

The Company has an expense sharing agreement with Mullins & White Exploration, Inc. (a sister company) (Exploration) to seek to minimize both companies expenses. The amount of expenses covered by Exploration in 2007 was \$222,284.

**Note 5 - Defined Contributions Plan**

The company has adopted The Mullins & White Group 401(k) Profit Sharing Plan & Trust (the Plan). The Parent and eligible employees both may contribute to the Plan. The Plan is on a calendar year. All employees, except part time employees, are eligible to participate after reaching the age of 21 and completing one year of service. Employee salary deferral contributions, safe harbor non-elective contributions and earnings on these contributions are 100% vested. For each plan year the Parent satisfies the Safe Harbor notification requirements, the Parent will make a safe harbor non-elective contribution equal to 3% of employee compensation. The Parent may contribute an amount of matching and discretionary contributions determined by the Parent at its discretion. The Parent may or may not choose to make matching and/or discretionary contributions for a particular year in an amount it will determine each year. Parent matching and discretionary contributions are subject to the following vesting schedule:

<u>Years of Service</u>	<u>Vested Portion</u>
Less than 2	0%
2 years but less than 3 years	20%
3 years but less than 4 years	40%
4 years but less than 5 years	60%
5 years but less than 6 years	80%
6 years or more	100%

The Company did not make any matching and discretionary employer contributions for the year ended December 31, 2007.

**M & W Financial, Inc.**  
**Notes to Financial Statements**

**Note 6 - Contingencies**

The Company has been named as a respondent in two arbitrations and one litigation relating to its activities as a broker-dealer in securities. These actions seek damages of material amounts. One arbitration is currently set for hearing in June 2008, the other arbitration and litigation are in the beginning stages with no discovery occurring or trial set. While the ultimate outcome of these pending arbitrations and litigation involving the Company cannot be predicted with certainty, management, having reviewed this action with its legal counsel, believes it has meritorious defenses to these actions and intends to defend itself vigorously.

The nature of the Company's business subjects it to various claims, regulatory examinations, and other proceedings in the ordinary course of business. The ultimate outcome of claims against the Company cannot be determined at this time, and the results of these matters cannot be predicted with certainty.

There can be no assurance that these matters will not have a material adverse effect on the Company's results of operations in any future period, depending partly on the results for that period, and a substantial judgment could have a material adverse impact on the Company's financial condition, results of operations, and cash flows. However, it is the opinion of management, after consultation with legal counsel, that the ultimate outcome of claims and proceedings will not have a material adverse impact on the financial condition, results of operations, or cash flows of the Company.

**Note 7 - Concentration of Revenue**

The Company earned all of its revenue from the sales of interests in private placement offerings of related parties.

One of the Company's registered representative generated approximately 20% of the Company's revenue for the year ended December 31, 2007.

## Schedule I

**M & W Financial, Inc.**  
**Computation of Net Capital and Aggregate Indebtedness**  
**Pursuant to Rule 15c3-1 and**  
**Reconciliation of the Computation of Net Capital**  
**with that of the Registrant as**  
**Filed in Part IIA of Form X-17a-5**  
**December 31, 2007**

Total Stockholder's Equity qualified for Net Capital	<u>\$158,822</u>
Deductions and/or Charges	
Non-allowable assets:	
Advances to Employees	(15,200)
Income Taxes Receivable from Parent	(55,865)
Prepaid Expenses	(897)
Receivables from Related Parties	<u>(10,772)</u>
Total Deductions and/or Charges	<u>(82,734)</u>
Net Capital	<u><u>\$76,088</u></u>
Aggregate Indebtedness	
Accounts Payable	\$2,179
Accounts Payable Related Parties	<u>43,774</u>
Total Aggregate Indebtedness	<u><u>\$45,953</u></u>
Computation of Basic Net Capital Requirement	
Minimum Net Capital Required (greater of \$5,000 or 6 2/3% of aggregate indebtedness)	<u><u>\$5,000</u></u>
Net Capital in Excess of Minimum Requirement	<u><u>\$71,088</u></u>
Ratio of Aggregate Indebtedness to Net Capital	<u><u>.60 to 1</u></u>

Note: The above computation does not differ from the computation of net capital under Rule 15c3-1 as of December 31, 2007 as filed by M & W Financial, Inc. on Amended Form X-17A-5. Accordingly, no reconciliation is deemed necessary.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY  
SEC RULE 17A-5(G)(1)**

Board of Directors  
M & W Financial, Inc.

In planning and performing our audit of the financial statements of M & W Financial, Inc. (the Company), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

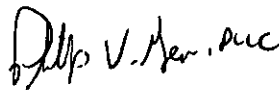
Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the Company's financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



PHILLIP V. GEORGE, PLLC

Irving, Texas  
February 18, 2008

**END**